

City of Detroit

CITY COUNCIL

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TO: Pamela Scales, Director
Budget Department (Capital Budget)

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 21, 2006

RE: 2006-2007 Budget Analysis

24.

Attached is our budget analysis regarding the Capital Budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Roger Short, Interim Chief Financial Officer
Pamela Scales, Budget Department Director
Renee Short, Budget Department
Kandia Milton, Mayor's Office

Capital Budget Hearing and Debt Service Fund (18)

FY 2006-2007 Proposed General Obligation Bond Budget

FY 2006-2007 Budget Analysis by the Fiscal Analysis Division

The Mayor's 2006-2007 Recommended Budget includes an unlimited tax general obligation bond sale of \$40.0 million for citywide capital improvement projects. Unlimited tax general obligation bonds are city debt. The debt service levy for the principal and interest payment on Unlimited Tax General Obligation Bond is over and above the 20 mills for operations. The Headlee Amendment to the State constitution, adopted in 1978, states that unlimited tax general obligation bonds cannot be issued without an affirmative vote of the electorate. The electorate has approved the proposed bond projects included in the Mayor's Recommended Budget, with the use of Fire authorization for the Homeland Security project.

In addition the proposed FY 2006-2007 Recommended Budget includes \$142,000 in appropriations from interest earned from the investment of current unspent bond funds. The chart below includes both the bond sale proceeds and the allocation of investment earnings to departmental capital projects.

Comparison of Latest Capital Agenda and Mayor's Recommended Budget

<u>2005-2006 Capital Funds</u>	<u>Department</u>	<u>2006-2007 Proposed Bond Sale</u>	<u>Investment Earnings</u>
\$ -0-	Airport (via Planning & Dev.)	\$ 5,000,000	\$ -0-
\$ 4,800,000	Detroit Institute of Arts	\$ 150,000	\$ 142,000
\$ 200,000	Charles H. Wright Museum	\$ 1,000,000	\$ -0-
\$ 10,000,000	DOT/Detroit Transportation Corp.	\$ -0-	\$ -0-
\$ 2,000,000	Department of Public Works	\$ -0-	\$ -0-
\$ 109,000	Fire	\$ 1,900,000	\$ -0-
\$ -0-	Health	\$ 1,000,000	\$ -0-
\$ 281,000	Historical	\$ 500,000	\$ -0-
\$ 2,600,000	Homeland Security (Fire Auth.)	\$ -0-	\$ -0-
\$ 1,000,000	Planning and Development	\$ -0-	\$ -0-
\$ 20,500,000	Police	\$ 5,000,000	\$ -0-
\$ 2,800,000	Public Lighting	\$ 12,900,000	\$ -0-
\$ 5,800,000	Recreation	\$ 7,550,000	\$ -0-
\$ 1,500,000	Zoological Institute	\$ 5,000,000	\$ -0-
\$ 51,590,000	Total	\$ 40,000,000	\$ 142,000

Council's questions and concerns regarding the specific departments' proposed and continuing capital improvement projects for FY 2005-06 would be better addressed to the specific departments at their individual budget hearing. Normally we attach to this report descriptions of each proposed project as reported in the Mayor's Executive Summary. However that information has not been provided to us by the administration at this time.

Council has the ability to make programmatic changes to the Mayor's recommended bond program for 2006-2007 and those changes would be reflected in the Council's final vote on the budget. Council can revise the mix of recommended capital projects, add to or reduce the bond program amount. Any suggested amendments that increase the total dollar amount of the bond sale, however, **will impact the tax rate as of July 1, 2006.**

Debt Service Fund - Sinking Interest and Redemption (18)

The Debt Service Fund represents the anticipated appropriation needed to pay debt service in FY 2006-2007 for all past general obligation bond sales and the costs for the 2006-2007 recommended bond sales. This appropriation is completely offset by the budgeted revenue of property tax, industrial facilities tax and commercial facilities tax that are obligated for the principal and interest payments on outstanding unlimited tax general obligation bonds.

Below, please find a comparison of the 2006-2007 and 2005-2006 Budget for debt service and the applicable tax rate:

	<u>FY 2006-2007</u>	<u>FY 2005-2006</u>	<u>Change</u>	<u>% Change</u>
Appropriation	\$ 77,232,484	\$ 62,934,661	\$ 14,297,823	22.7%
Revenue	\$ <u>77,232,484</u>	\$ <u>62,934,661</u>	\$ <u>14,297,823</u>	
Net Tax Cost	\$ 0	\$ 0	\$ 0	
Collection Assumption	95%	95%		
Debt Service Tax Rate	\$ 8.3951 mills	\$ 7.0753 mills	\$ 1.3198	18.65%
Property Valuation	\$ 9,081,008,014	\$ 8,749,830,161	\$ 331,177,853	3.78%

IC:AML

**SUMMARY - ALL FUNDS
CAPITAL FINANCING**

2006-07 CAPITAL PROJECT INFORMATION AND EFFECT ON OPERATING BUDGET

The following is a description by department of the capital projects included in the 2006-07 Recommended Capital Program. The IMPACT on the budget is denoted by a code as follows:

Impact on Operating Budget:

AF=additional funding required
RF=results in reduction of funding
NOI=no operating IMPACT

Impact on Staff in the Operating Budget:

AS=additional staffing required
RS=results in reduction of staffing
NSI=no staffing IMPACT

COLEMAN A. YOUNG MUNICIPAL AIRPORT

Minitake Land Acquisition— These funds will be used as part of an ongoing project that began in 1995. The Federal Aviation Administration (FAA) funds land acquisition projects at 95%. The remaining 5% will be funded by the City of Detroit. The FAA on a reimbursement basis provides these funds, which may be loaned to the Airport by the General Fund contingent upon FAA reimbursement. IMPACT ON BUDGET: NOI/NSI

ARTS

D.I.A. Improvements - Capital funds will be used to implement projects as outlined in the agency's Master Plan. Funds for FY 2006-07 represent the balance of the remaining voter authorized bonds from the November 2000 election. IMPACT ON BUDGET: NOI/NSI

CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY

Facility Improvements – Funding is requested to address residual problems stemming from design flaws and original construction issues. IMPACT ON BUDGET: NOI/NSI

DEPARTMENT OF PUBLIC WORKS

New Construction and Street Resurfacing-Contractual, ,— This continuing program allocates funds for resurfacing streets and repairing curbs. IMPACT ON BUDGET: RF/NSI

Traffic Control Improvements and Traffic Control Improvements-State and Federal— This continuing program allocates funds for traffic control repair, maintenance and upgrades. IMPACT ON BUDGET: RF/NSI

Highway Bridges and Roads and Bridges-City Parks – Projects included in the State's Transportation Improvement Plan for FY 2005-06. IMPACT ON BUDGET: RF/NSI

FIRE

Fire Training Facility (Detroit) - Funding will be used to develop and construct a Fire Training Facility. IMPACT ON BUDGET: NOI/NSI

HEALTH & WELLNESS PROMOTION

Herman Keifer: Capital Improvements - Capital funds requested for FY2006-07 will be used for ongoing capital improvements at this facility. IMPACT ON BUDGET: NOI/NSI

SUMMARY - ALL FUNDS CAPITAL FINANCING

HISTORICAL

Main Museum: Capital Improvements – Funding is requested for needed upgrades to the museum's security and audio/visual systems, including intercom and access control systems. Funds will also be used to complete energy efficiency related improvements. IMPACT ON BUDGET: NOI/NSI

POLICE

Forensic Laboratory: Funding is requested for a replacement facility that will provide sufficient laboratory space including storage and meet accepted industry standards. IMPACT ON BUDGET: NOI/NSI

District, headquarters, Other Facilities: Funding is requested for capital improvements at the department's various facilities as part of its on-going capital improvement program and to meet requirements under the DOJ consent decree. IMPACT ON BUDGET: NOI/NSI

PUBLIC LIGHTING DEPARTMENT

Various Projects: Funding is requested to alleviate repair issues at the Mistersky Plant, Unit #7 due to obsolete parts and the need to overhaul the steam turbines. In addition, funding is needed to finance the VARS power capacity and management equipment to be installed at the Mistersky plant. Funding is also requested for the department's continuing capital improvement projects of distribution system improvements, its' street lighting modernization program; service extensions; and transformer replacements. The VARS project will save \$8 million in utility costs. IMPACT ON BUDGET: RF/NSI

RECREATION

Park Development - Funding is requested for this continuous capital improvement program which utilizes city employees (General Services Department) to construct and rehabilitate neighborhood parks, playfields, tot-lots and playgrounds. IMPACT ON BUDGET: NOI/NSI

Parks & Landscapes – DRD would like to continue its' major redevelopment program of completing renovation to five (5) parks and the demolition of unsafe play equipment. IMPACT ON BUDGET: NOI/NSI

Belle Isle Park Improvement – The Master Plan for Belle Isle provides direction for future Belle Isle Park improvements; however, the cost to implement the Master Plan is well in excess of \$200 million. DRD continues to perform on-going improvements to Belle Isle based on priority needs. Projects for FY 2007 include architectural assessment, new comfort station and infrastructure repairs. IMPACT ON BUDGET: NOI/NSI

Recreation Facilities Improvements – Funding will be used for renovations and improvements to the Northwest Activities Center and improvements to the Farwell Center to create a family fun center. IMPACT ON BUDGET: NOI/NSI

ZOO

Facility Improvements – Funding is provided to the Zoo for FY 2006-07 as specified in the operating agreement approved March 1, 2006. The Zoo is also moving forward with its plans for the Belle Isle Nature Zoo. IMPACT ON BUDGET: NOI/NSI